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SANGAMO
COMPANY
LIMITED
ANNUAL REPORT
FOR

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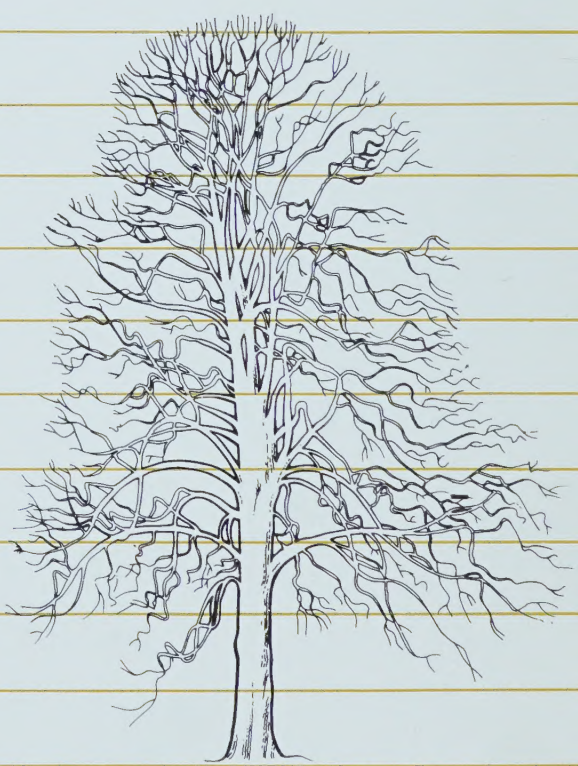
SANGAMO COMPANY LIMITED, FINANCIAL HIGHLIGHTS

	1975	1974
Sales	**$17,039,836**	$15,444,379
Income before Extraordinary Item	**1,196,495**	1,423,955
Income Per Share before Extraordinary Item	**6.60**	7.86
Net Income	**1,196,495**	1,947,982
Net Income Per Share	**6.60**	10.75
Shareholders' Equity	**7,544,873**	7,027,923
Shares outstanding at end of period	**181,212**	181,212
Book value per share	**41.64**	38.78
Working Capital	**6,418,550**	5,814,804
Current ratio	**5.9:1**	3.3:1



TO THE SHAREHOLDERS

Net income for 1975 amounted to $1,196,000 ($6.60 per share), compared to income before extraordinary item of $1,424,000 ($7.86 per share) for the previous year. The 1974 figures exclude an extraordinary credit of $524,000 ($2.89 per share) from sale of excess land.

Sales in 1975 were $17,040,000 compared to $15,444,000 in 1974. Most of this increase was due to inflation. Rising material and labour costs continued to outpace gains from cost reduction and selling price increases. Also, the high inflation rate in Canada continues to limit export potential, while competition from lower priced imports similarly affects sales of vacuum cleaner motors. Requirements of the Anti-Inflation Act,Bill C73,may limit profitability in 1976.

Capital expenditures for buildings, equipment and tooling amounted to $319,000 during the year and compared to $320,000 provided for depreciation.

The Company paid cash dividends of $3.75 per share in 1975.

On July 31, we reported to you that Schlumberger Limited, through the acquisition of Sangamo Electric Company, had acquired 71% of the outstanding shares of the Company and had applied to the Foreign Investment Review Agency for approval of the acquisition. This application is still under review.

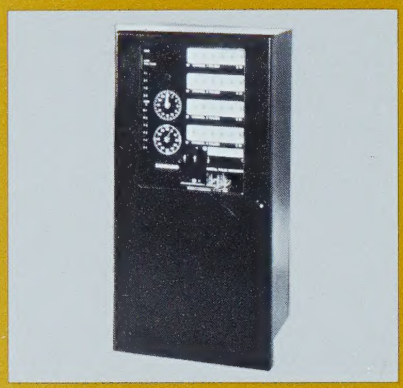
Respectfully submitted,

A. E. Van Clieaf

A. E. VAN CLIEAF,
President

March 22, 1976

SANGAMO PULSE INITIATING METERS
Form the heart of the Sangamo Data Information Systems.



Pulse from the meter are accepted by the
DPR DIGITAL PULSE RECORDER
Power useage data is recorded on Sangamo 1 inch 8 track paper tape.

SR1-M LOAD SURVEY RECORDER
Ideal for load surveys and rate analysis it uses the K2MS Singlephase Pulse Initiating meter. Pulses are recorded on magnetic tape, in a small cassette storing up to 36 days of data.

SANGAMO DATA INFORMATION SYSTEMS

"As electrical utility systems become larger and more complex, there has developed an increasing need for more accurate information on power useage.

What are the system growth patterns?

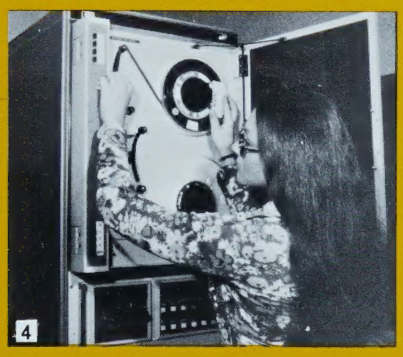
Should rate structures be adjusted to reflect changing demand peaks?

What level of capital expenditure will be required for future expansion?

The answers to these and other such questions pertaining to power useage have become an essential ingredient for the future expansion and better management of our electrical energy resources in Canada.

To assist utilities in obtaining answers to these vital questions Sangamo has developed a complete system for the fast economical retrieval of power useage data and the conversion of such data into a useable format.

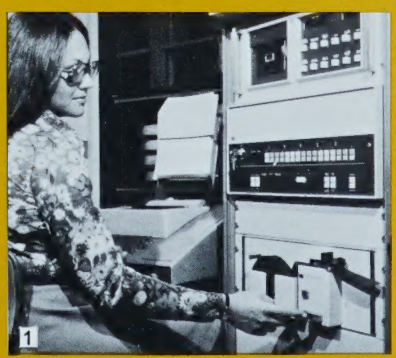
Sangamo now provides through their Data Information Systems Division, complete data recording and translation equipment computer processing services and software programmes to suit the particular requirements of any utility."



Interval pulse counts are transferred onto computer-compatible half inch magnetic tape. This tape, along with summary reports are returned to the utility for further processing.

The computer is programmed to deliver the information in whatever form the utility requires.

All cassettes from SR1-M Load Survey Recorder installations are translated by the Sangamo designed SR1-CR cassette reader.



To retrieve the information, punched tapes from the DPR-Digital Pulse Recorder are fed through a high speed paper tape reader into a mini-computer.

SANGAMO COMPANY, LIMITED (Incorporated under the laws of Canada)

ASSETS

	1975	1974
Current:		
Cash and short-term notes	**$ 102,468**	
Accounts receivable	**2,618,068**	$ 2,474,994
Inventories (note 1(a)) –		
Raw materials, work in process and finished parts	**3,131,557**	4,423,479
Finished goods	**1,823,132**	1,392,021
	4,954,689	5,815,500
Prepaid expenses	**42,287**	65,125
Total current assets	**7,717,512**	8,355,619
Fixed, at cost (notes 1(b) and 3):		
Land	**45,173**	45,173
Buildings, machinery and equipment	**6,499,960**	6,228,362
	6,545,133	6,273,535
Less accumulated depreciation	**4,748,835**	4,471,283
	1,796,298	1,802,252
Other:		
Securities on deposit as tender and performance bonds, at cost (market value $163,000 in 1975 and $175,000 in 1974)	**201,291**	209,549
Unamortized debenture discount	**23,734**	25,318
	225,025	234,867
	$9,738,835	$10,392,738

(See accompanying notes to financial statements)

On behalf of the Board: **R. H. DAVIES,** *Director*
A. E. VAN CLIEAF, *Director*

BALANCE SHEET DECEMBER 31, 1975 (with comparative figures at December 31, 1974)

LIABILITIES	1975	1974
Current:		
Bank indebtedness		$ 783,370
Accounts payable and accrued charges	**$1,121,526**	1,307,310
Income taxes payable	**38,202**	161,051
Payable to affiliated companies	**139,234**	289,084
Total current liabilities	**1,298,962**	2,540,815
6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982 (note 3)	**497,000**	498,000
Deferred income taxes (note 1(c))	**398,000**	326,000
Shareholders' equity:		
Capital –		
Authorized:		
200,000 common shares of no par value		
Issued:		
181,212 common shares	**505,135**	505,135
Retained earnings	**7,039,738**	6,522,788
	7,544,873	7,027,923
	$9,738,835	$10,392,738

Statement of retained earnings YEAR ENDED DECEMBER 31, 1975

(with comparative figures for the year ended December 31, 1974)

	1975	1974
Retained earnings, beginning of year	**$6,522,788**	$5,480,866
Net income	**1,196,495**	1,947,982
	7,719,283	7,428,848
Dividends paid	**679,545**	906,060
Retained earnings, end of year	**$7,039,738**	$6,522,788

(See accompanying notes to financial statements)

Statement of income YEAR ENDED DECEMBER 31, 1975

(with comparative figures for the year ended December 31, 1974)

	1975	1974
Net sales	**$17,039,836**	$15,444,379
Less:		
Cost of sales excluding depreciation	**12,840,721**	11,194,356
Marketing	**1,380,263**	1,149,111
General and administrative expenses	**422,239**	349,879
Depreciation	**319,992**	315,196
Interest on Sinking Fund Debentures	**29,853**	31,431
	14,993,068	13,039,973
Operating income	**2,046,768**	2,404,406
Interest and other income	**15,945**	95,549
Income before income taxes and extraordinary item	**2,062,713**	2,499,955
Income taxes	**866,218**	1,076,000
Income before extraordinary item	**1,196,495**	1,423,955
Extraordinary item:		
Gain on sale of Scarborough property, less applicable income taxes of $53,750		524,027
Net income	**$ 1,196,495**	$ 1,947,982
Earnings per share:		
Income before extraordinary item	**$6.60**	$ 7.86
Net income	**$6.60**	$10.75

(See accompanying notes to financial statements)

Statement of changes in financial position YEAR ENDED DECEMBER 31, 1975

(with comparative figures for the year ended December 31, 1974)

Source of funds:		
Income before extraordinary item	**$1,196,495**	$1,423,955
Adjustment for items which did not involve an outlay of funds –		
Loss on disposal of fixed assets	**1,605**	
Depreciation	**319,992**	315,196
Deferred income taxes	**72,000**	37,000
Amortization of bond discount	**1,584**	8,479
Funds from operations	**1,591,676**	1,784,630
Decrease in tender and performance bonds	**8,258**	46,326
Proceeds on disposal of fixed assets	**2,995**	
Proceeds on disposal of land, less applicable income taxes of $53,750		710,382
	1,602,929	2,541,338
Application of funds:		
Payment of dividends	**679,545**	906,060
Additions to fixed assets	**318,638**	472,851
Redemption of Sinking Fund Debentures	**1,000**	49,000
	999,183	1,427,911
Increase in working capital	**603,746**	1,113,427
Working capital, beginning of year	**5,814,804**	4,701,377
Working capital, end of year	**$6,418,550**	$5,814,804

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

December 31, 1975

1. Summary of significant accounting policies and reporting practices

(a) Inventories are valued at standard cost, which approximates current average cost and is lower than market. Market is defined as replacement cost for raw materials and net realizable value for work in process, finished parts and finished goods.

(b) Depreciation is calculated using the straight-line method applied to the estimated useful life of assets. Buildings have an estimated useful life of forty years, machinery and equipment of a general nature have an estimated service life of ten to fifteen years; and, tools and dies have an estimated service life of three years.

(c) Deferred income taxes are provided on all non-permanent differences between reported and taxable income. These differences relate principally to the excess of tax depreciation over depreciation reflected in the financial statements.

(d) Research and development expenditures are charged against income as incurred.

2. Legal suit

In 1975 the Supreme Court of Ontario heard the case involving an action against the Company on behalf of the former employees of the Guelph plant for payment of the unfunded pension liability at the date of termination of the plan. The amount of the action was for $1,015,911 in damages, plus costs. Judgment in the matter was released in October 1975 dismissing the action without costs. Subsequently, a Notice of Appeal of this judgment was filed and counsel has recommended that the case be defended in the Court of Appeal. No provision has been made at December 31, 1975 for liability that may arise therefrom.

3. Sinking Fund Debentures

The debentures are secured by a specific charge on the fixed assets (except those assets situated in the Province of Quebec) and a floating charge on all other assets of the Company.

All sinking fund requirements through to the date of maturity of the 6% debentures have been met and accordingly, no further principal amounts are payable until that date.

4. Remuneration of directors and officers

The following information is provided as required by Section 122.2 of the Canada Corporations Act:

(a) Remuneration paid to seven directors, as directors, totalled $7,500 in 1975 and $7,500 in 1974;

(b) Remuneration paid to seven officers, as officers, totalled $223,013 in 1975 and $205,911 in 1974;

(c) One officer of the Company is also a director.

5. Anti-Inflation Program

Effective October 14, 1975 the Federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the Company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends. The effects on the company of the Regulations on prices, profit margins and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the Company's records. Dividends to the company's common shareholders during the year ending October 13, 1976, however, may not exceed $5.00 per share.

AUDITORS' REPORT

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as at December 31, 1975 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Sangamo Company, Limited as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada, January 19, 1976.

DIRECTORS

R. H. Davies
President
Holborn Company
Management Consultants
Chairman of the Board
Sangamo Company, Limited

C. M. KIRKLAND
Vice-President
Schlumberger Limited

J. A. McDOUGALD
President and Chairman of the Board
Argus Corporation Limited

ANDRÉ MONAST, Q.C.
Partner
St-Laurent, Monast, Desmeules & Walters

J. M. TORY, Q.C.
Partner
Tory, Tory, DesLauriers and Binnington

C. E. VANCIL
President
Sangamo Electric Company

A. E. VAN CLIEAF
President
Sangamo Company, Limited

OFFICERS

A. E. VAN CLIEAF, *President*
W. B. BALL, *Vice-President, Marketing*
V. E. DICKSON, *Vice-President, Engineering*
J. LOGAN, *Vice-President & Secretary-Treasurer*
M. R. SABISTON, *Vice-President & General Manager*

SHARES LISTED

The shares of the company are listed on the Montreal Stock Exchange, Montreal, Quebec. Transfer of shares at the head office of the company, Toronto.

ANNUAL MEETING

Annual meeting of the Shareholders is to be held on April 29th, 1976, at the head office of the company, 215 Laird Drive, Toronto, Ontario M4G 3X1

SANGAMO

Head Office: 215 LAIRD DRIVE, TORONTO, CANADA, M4G 3X1
Sales Offices: Vancouver, Calgary, Winnipeg, Thunder Bay, Montreal, Halifax, Saint John, N.B., St. John's, Nfld.

Printed in Canada

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SANGAMO QUARTERLY REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS
ENDED JUNE 30, 1975

TO THE SHAREHOLDERS:

Net income for the first six months of 1975 was $787,000 or $4.34 per share. First half 1974 net income was $1,443,000 or $7.97 per share, which included an extraordinary credit of $524,000 or $2.90 per share.

Sales were $8,965,000, an increase of 7% over the $8,331,000 for the same period in 1974. The economic downturn, particularly in housing starts, is now affecting sales of domestic products; total sales for the remainder of the year are expected to be more comparable to 1974 levels. Profit margins in the second quarter were adversely affected by the continued inflation of labour and material costs, which increased at a much greater rate than prices charged for the Company's products.

Schlumberger Limited, a Netherlands Antilles corporation, through a subsidiary, has purchased by way of a tender offer completed on June 5, 1975, approximately 94% of the outstanding shares of Sangamo Electric Company, the owner of 71% of the outstanding shares of the Company. Schlumberger Limited and its subsidiaries are engaged principally in furnishing oil field services to the petroleum industry throughout the world as well as the manufacture and sale of electronics and measurement and control instruments. Schlumberger Limited has been advised that the Foreign Investment Review Agency considers the resulting acquisition of indirect control of the Company reviewable under the Foreign Investment Review Act; Schlumberger has made application for the approval of the acquisition. In the event that approval is not obtained, Sangamo Electric Company may be ordered to dispose of its interest in the Company.

Mr. Charles M. Kirkland was elected a Director, filling a vacancy left by the resignation of Mr. C. H. Lanphier. The Directors and Officers wish to express their appreciation to Mr. Lanphier for his outstanding contribution during the 20 years he served as a director.

At the Directors' meeting held on July 31, 1975, the regular cash dividend of $1.00 per share was declared, payable on September 26, 1975 to shareholders of record September 12, 1975.

Respectfully submitted

A. E. Van Clieaf

A. E. VAN CLIEAF,
President.

SANGAMO COMPANY, LIMITED
215 LAIRD DR., TORONTO, CANADA
M4G 3X1

Comparative Income Summary
(Unaudited)

	Six Months Ended	
	June 30, 1975	June 30, 1974
Sales	$8,965,000	$8,331,000
Income before Income Taxes and Extraordinary Credit	1,356,000	1,617,000
Income Taxes	569,000	698,000
Income before Extraordinary Credit	787,000	919,000
Extraordinary Credit (Note 1)	–	524,000
Net Income	$ 787,000	$1,443,000
Shares Outstanding during period	181,212	181,212
Per Share:		
Income before Extraordinary Credit	$4.34	$5.07
Net Income	$4.34	$7.97

Note 1:
On January 30, 1974 the Company sold a parcel of land which was considered no longer suitable as a manufacturing site, the purpose for which it was originally purchased.

July 31, 1975